

Message Text

PAGE 01 STATE 202018
ORIGIN EB-08

INFO OCT-01 EUR-12 EA-10 NEA-10 IO-13 ISO-00 AID-05
TRSE-00 L-03 OMB-01 STR-07 CIAE-00 INR-10 NSAE-00
SS-15 NSCE-00 SSO-00 INRE-00 /095 R

DRAFTED BY EB/IFD/ODF:EWLOLLIS:SMCP
APPROVED BY EB:RHORMATS
AID/IIA:KKAUFFMAN
IO/IEP:JSIMMONS
TREASURY:HJUNZ
EUR/RPE:DKURSCH
EB/IFD/OMA:WMILAM

-----020623 100104Z /73

O R 092359Z AUG 78
FM SECSTATE WASHDC
TO AMEMBASSY ALGIERS IMMEDIATE
AMEMBASSY BONN
AMEMBASSY OTTAWA
AMEMBASSY TOKYO
INFO ALL OECD CAPITALS
USMISSION GENEVA
USMISSION USUN NEW YORK

LIMITED OFFICIAL USE STATE 202018

BRUSSELS ALSO FOR USEEC, PARIS ALSO FOR USOECD

E.O. 11652: N/A

TAGS: UN, EGEN

SUBJECT: LETTER TO JAZAIRY REGARDING HIS TEXT ON RESOURCE
TRANSFERS FOR SEPTEMBER RESUMPTION OF MAY COW MEETING

REFS: (A) GENEVA 11316, (B) STATE 198327, (C) GENEVA 11594
LIMITED OFFICIAL USE
LIMITED OFFICIAL USE

PAGE 02 STATE 202018

(D) BRUSSELS 14859, (E) BONN 13948, (F) BONN 14052,
(G) OTTAWA 3755 (NOTAL), (H) USUN 3138 (NOTAL)

1. FOR ALGIERS: PLEASE PASS LETTER IN PARAGRAPH 6 BELOW
ASAP TO COW CHAIRMAN JAZAIRY WHO WAS EXPECTED TO RETURN TO
ALGIERS FROM LEAVE ABOUT AUGUST 5. MODIFY TITLE AS
APPROPRIATE. IN PRESENTING LETTER, YOU MIGHT ASK QUESTIONS
POSED PARAS 2 AND 3 OF REF H.

2. FOR BONN, OTTAWA, AND TOKYO: PLEASE SHARE COPY OF

LETTER WITH MATHIAS (FOR EC), JOHNSTON, AND MIYAZAKI
RESPECTIVELY. DEPARTMENT WOULD STILL BE INTERESTED IN
LEARNING REACTIONS OF CANADIANS AND JAPANESE GOVERNMENTS.

3. FOR BERN: COPY OF LETTER WAS GIVEN AUGUST 9 TO
SWISS EMBOFF WHO SAID GOS HAD NOT YET PREPARED REPLY TO
JAZAIRY BUT MAY DO SO.

4. FOR USUN AND GENEVA: DEPARTMENT DOES NOT RPT NOT
WISH TEXT OF LETTER TO JAZAIRY TO BE GIVEN TO UN SECRE-
TARIAT.

5. FOR ALL OTHER ADDRESSEES: YOU MAY DRAW ON CONTENT OF
LETTER TO JAZAIRY IN DISCUSSIONS WITH OECD MEMBER GOVERN-
MENTS, BUT PLEASE DO NOT RPT NOT FURNISH TEXT.

6. TEXT BEGINS:

THE HONORABLE
IDRISS JAZAIRY,
ASSISTANT SECRETARY GENERAL FOR
INTERNATIONAL COOPERATION,
MINISTRY OF FOREIGN AFFAIRS.
LIMITED OFFICIAL USE
LIMITED OFFICIAL USE

PAGE 03 STATE 202018

DEAR MR. CHAIRMAN:

WE VERY MUCH APPRECIATE THE INITIATIVE YOU TOOK AT THE
INFORMAL MEETING OF THE COMMITTEE OF THE WHOLE IN GENEVA ON
JULY 21 TO HELP THE COMMITTEE FIND AN ACCEPTABLE CONCLUSION
FOR ITS MAY SESSION AND IN PARTICULAR FOR ITS DISCUSSION OF
THE AGENDA ITEM ON THE TRANSFER OF RESOURCES. I HAVE READ
WITH GREAT INTEREST THE TEXT ON THE TRANSFER OF RESOURCES
WHICH YOU CIRCULATED AT THAT MEETING. WE AGREE THAT YOUR
TEXT PROVIDES AN ACCEPTABLE BASIS FOR PROCEEDING WITH THE
SEPTEMBER MEETINGS. IF SUFFICIENT AGREEMENT CAN BE REACHED,
WE HOPE THAT THIS CAN BECOME A COMMITTEE DOCUMENT.

I AM QUITE AWARE THAT THE TASK OF REVISING THE TEXT
WILL BE DIFFICULT. MANY DELEGATIONS WILL DOUBTLESS HAVE
CHANGES TO PROPOSE, AND EACH SUGGESTION COULD LEAD TO
PROLONGED DEBATE. IT WOULD, THEREFORE, BE DESIRABLE THAT
THE FINAL VERSION OF A COMMITTEE DOCUMENT NOTE THE MAJOR
AREAS OF AGREEMENT AS WELL AS THE DIFFERENT POSITIONS HELD
BY VARIOUS COUNTRIES AND GROUPS OF COUNTRIES WHERE
DIFFERENCES EXIST, RATHER THAN ATTEMPT TO REACH AGREEMENT ON
EVERY ISSUE.

WE MAINTAIN THE VIEW THAT IN OUR UPCOMING SESSION THE
COMMITTEE SHOULD AVOID THE NEGOTIATION OF AGREED LANGUAGE
ON ALL ASPECTS OF EACH AGENDA ITEM. IN OUR OPINION,

THE MAY IMPASSE OVER SOME PARTS OF THE TRANSFER OF RESOURCES
ITEMS SERVES TO ILLUSTRATE THE FUTILITY OF SUCH NEGOTIA-
TIONS. WE BELIEVE INSTEAD THAT THE FORMULA OFFERED BY
AMBASSADOR YOUNG IN HIS ADDRESS JULY 11 TO THE UN ECONOMIC
AND SOCIAL COUNCIL IN GENEVA OFFERS A VIABLE ALTERNATIVE
WHICH ENABLES THE COMMITTEE TO REACH CONCLUSIONS

BUT DOES NOT PREJUDGE THE TYPE OF CONCLUSION TO BE REACHED
WITH RESPECT TO INDIVIDUAL TOPICS.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 STATE 202018

THE FOLLOWING ARE OUR SPECIFIC COMMENTS ON THE TEXT YOU
CIRCULATED JULY 21:

I HAVE NO PROBLEM WITH SEVERAL PARAGRAPHS OF
YOUR TEXT WHICH WERE TAKEN UNCHANGED FROM THE
TEXT DRAFTED BY THE CONTACT GROUP ON TRANSFER OF
RESOURCES DURING THE MAY SESSION OR WHICH YOU
REDRAFTED FROM OTHER LANGUAGE WHICH WAS AGREED IN
MAY.

MY MOST GENERAL COMMENT IS THAT THE PAPER
SHOULD NOT EMPHASIZE THE NOTION THAT INCREASED
TRANSFERS TO THE DEVELOPING COUNTRIES ARE JUSTIFIED
BY THEIR CONTRIBUTION TO INCREASED GROWTH OF THE
GLOBAL ECONOMY AND TO RECOVERY IN THE INDUSTRIALIZED
COUNTRIES. PARAGRAPH 13 ASSERTS THAT THE COMMITTEE
CONCLUDED THAT "MASSIVE TRANSFERS" WOULD HAVE
SUCH EFFECTS. IN FACT, THIS WAS NOT THOROUGHLY
DISCUSSED BY THE COMMITTEE IN MAY, AND THIS
CONCLUSION WAS DRAWN ONLY BY CERTAIN DELEGATIONS.
WE QUESTION THE DESIRABILITY OF LINKING AID TO
CYCLICAL FACTORS LEST THE REVERSE ARGUMENT BE
USED AGAINST AID IN TIMES OF STRONG GLOBAL GROWTH.
ALSO, WE HAVE A NUMBER OF QUESTIONS REGARDING THE
MAGNITUDE OF THE IMPACT, BUDGETING IMPLICATIONS,
AND ANTI-INFLATIONARY BENEFIT. PARAGRAPH 6 ALSO
APPEARS TO GO BEYOND WHAT THE COMMITTEE CONCLUDED
BY ASSERTING THAT INCREASED TRANSFERS WOULD BE
INDISPENSABLE TO ANY INTERNATIONAL ACTION TO
OVERCOME "THE GRAVE INTERNATIONAL ECONOMIC SITUATION
NOW PREVAILING."

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 05 STATE 202018

THE FIRST SENTENCE OF PARAGRAPH 6 APPEARS TO
RESTRICT THE REASONS FOR THE TRANSFER OF RESOURCES
TO OBJECTIVES AND PRIORITIES ARTICULATED BY THE

GOVERNMENTS OF DEVELOPING COUNTRIES, NEGLECTING, FOR EXAMPLE, THE RELATIVE NEEDS OF THE DEVELOPING COUNTRIES AND THE EFFECTIVENESS OF THEIR USE OF EXTERNAL RESOURCES. USING THE PHRASE "TAKING INTO ACCOUNT" IN LIEU OF "ON THE BASIS OF" WOULD SOLVE THIS PROBLEM.

ALSO IN PARAGRAPH 6, THE REASONS GIVEN FOR THE INCREASED INDEBTEDNESS OF MANY DEVELOPING COUNTRIES (IMPORTED INFLATION, THE ADJUSTMENT PROCESS, AND AN ALLEGED LACK OF APPROPRIATE EXTERNAL FINANCING) SEEM SOMEWHAT INCOMPLETE AND INACCURATE. IT WOULD BE PREFERABLE TO TREAT

INFLATION AND INDEBTEDNESS SEPARATELY, TO ACKNOWLEDGE THE ROLE OF OTHER FACTORS SUCH AS THE INCREASED COST OF ENERGY, AND TO RECOGNIZE THAT ACTUAL CIRCUMSTANCES OF INDIVIDUAL DEVELOPING COUNTRIES VARY WIDELY.

IN PARAGRAPH 7, THE TEXT IMPLIES A GREATER DEGREE OF AGREEMENT AT THE MAY SESSION WITH RESPECT TO "SPECIAL CATEGORIES OF DEVELOPING COUNTRIES" THAN WAS REACHED. I QUESTION THE APPROPRIATENESS AS WELL AS THE NECESSITY FOR MAINTAINING SPECIAL CATEGORIES FOR LAND-LOCKED AND ISLAND DEVELOPING COUNTRIES AND FOR "MOST SERIOUSLY AFFECTED" DEVELOPING COUNTRIES.

DURING THE MAY SESSION, THE UNITED STATES DID NOT CONCUR IN THE JUDGMENT (PARAGRAPH 7 OF THE TEXT) THAT MORE EXTENSIVE RESORT SHOULD BE MADE TO PROGRAM AND LOCAL-COST FINANCING, NOR DID WE AGREE THAT BUDGETARY PROCEDURES IN DONOR COUNTRIES (PARAGRAPH 8 OF THE TEXT) WOULD NECESSARILY HAVE TO BE RECONCILED (I.E. CHANGED) IN ORDER TO LIMITED OFFICIAL USE
LIMITED OFFICIAL USE

PAGE 06 STATE 202018

ACHIEVE THE ADVANTAGES OF MULTIYEAR FINANCING FOR THE UNITED NATIONS DEVELOPMENT FUND AND OTHER UN FUNDS AND PROGRAMS. WHAT WE SAID IN MAY WAS THAT A CAREFULLY WORKED OUT SYSTEM OF MULTIYEAR FUNDING WHICH PRESERVES THE VOLUNTARY NATURE OF UNDP SUPPORT IS POSSIBLE AND DESIRABLE AND THAT WE WILL PARTICIPATE FULLY IN FUTURE EXAMINATIONS OF VARIOUS MULTIYEAR FINANCING MECHANISMS.

IN PARAGRAPHS 7 AND 8, IF THE STATEMENTS OF INDIVIDUAL COUNTRIES OR GROUPS OF COUNTRIES ARE TO BE SINGLED OUT, WE WOULD LIKE THE TEXT ALSO TO REFLECT WHAT THE UNITED STATES SAID AT THE MAY SESSION ABOUT THE INTENTION OF THE U.S. GOVERNMENT WITH RESPECT TO OFFICIAL DEVELOPMENT ASSISTANCE, RETROACTIVE TERMS ADJUSTMENT, AND THE RESOURCES OF THE MULTILATERAL DEVELOPMENT BANKS AND FUNDS. THESE PARAGRAPHS OUGHT TO REFER TO THE COMMITMENTS OF THE OPEC

AND SOCIALIST STATES AS WELL AS THOSE OF DAC MEMBERS.

PARAGRAPH 10 IS UNCLEAR AS TO WHICH INTERNATIONAL FINANCIAL INSTITUTIONS ITS REMARKS APPLY. I CANNOT AGREE THAT THE FUNDS OF THE INTERNATIONAL MONETARY FUND ARE PRESENTLY INADEQUATE "TO COVER TEMPORARY PAYMENTS DEFICITS ON CURRENT ACCOUNTS." MOREOVER, THE BASIC TENET OF THE IMF IS NON-DISCRIMINATION SO THAT THE COMMITTEE COULD NOT HAVE TAKEN A CONSIDERED VIEW OF INCREASES OF BALANCE OF PAYMENTS FINANCING AVAILABLE TO DEVELOPING COUNTRIES.

I DO NOT RECALL THAT THE COMMITTEE AT ITS MAY SESSION AGREED THAT EXISTING INTERNATIONAL MONETARY AND FINANCIAL MECHANISMS ARE INADEQUATELY RESPONSIVE TO THE NEEDS OF THE GLOBAL ECONOMY OR LIMITED OFFICIAL USE LIMITED OFFICIAL USE

PAGE 07 STATE 202018

THAT THE DEFICITS OF DEVELOPING COUNTRIES ARE, AS THE TEXT OF PARAGRAPH 11 IMPLIES, GENERALLY DUE TO STRUCTURAL PROBLEMS WHICH EXISTING MECHANISMS FAIL TO TAKE FULLY INTO ACCOUNT. THIS IS NOT A VIEW WHICH THE UNITED STATES SHARES.

THE COMMITTEE AND ITS CONTACT GROUPS NEVER SERIOUSLY DISCUSSED WHAT IS COVERED IN PARAGRAPHS 13 AND 14 OF THE TEXT, ALTHOUGH BOTH SUBJECTS WERE RAISED BY INDIVIDUAL DELEGATIONS. IT COULD BE MISLEADING, THEREFORE, TO ASCRIBE ANY CONCLUSIONS TO THE COMMITTEE.

I DO NOT RECALL THAT THE COMMITTEE CONCLUDED, FOR EXAMPLE, THAT "MASSIVE TRANSFERS" ARE "NECESSARY TO ENHANCE THE PRODUCTIVE CAPACITY OF DEVELOPING COUNTRIES." PARAGRAPH 13 WOULD THEREFORE BE MADE MORE REFLECTIVE OF THE MINIMUM DISCUSSION WHICH TOOK PLACE IF SIMPLY CONFINED TO A REQUEST FOR FURTHER STUDY.

I ALSO DO NOT BELIEVE THAT THE COMMITTEE ITSELF TOOK NOTE OF THE ABSENCE OF ANY INTEGRATED APPROACH AT THE LEVEL OF THE UNITED NATIONS TO THE INTERRELATED ASPECTS OF THE TRANSFER OF REAL RESOURCES, AND THE COMMITTEE CERTAINLY DID NOT AGREE TO REQUEST THE SECRETARY-GENERAL TO REPORT ON THE POSSIBILITY OF EVOLVING A COMPREHENSIVE NEW SYSTEM OF INTERNATIONAL FINANCIAL COOPERATION. I SUGGEST, THEREFORE, THAT PARAGRAPH 14 BE DROPPED.

PARAGRAPH 15 ON TRADE IS ALMOST IDENTICAL TO

THE DRAFT PREPARED BY A CONTACT GROUP DURING THE
MAY SESSION. WE NOTE, HOWEVER, THAT THE WORDS
"THEIR EFFORTS SHOULD AIM..." HAVE BEEN INSERTED.
WHAT IS THE ANTECEDENT OF THE WORD "THEIR"? THE
LIMITED OFFICIAL USE
LIMITED OFFICIAL USE

PAGE 08 STATE 202018

ORIGINAL TEXT IMPLIED THAT ALL COUNTRIES SHOULD
MAKE SUCH EFFORTS. ON REFLECTION, MOREOVER, THE
REFERENCE TO IMPROVING THE TERMS OF TRADE OF THE
DEVELOPING COUNTRIES SEEMS INAPPROPRIATE, BECAUSE
DECLINES IN THE TERMS OF TRADE CAN REFLECT INCREASES
IN WELFARE OR INCREASES IN COMPETITIVENESS, AS WELL
AS DESIRABLE CHANGES IN THE STRUCTURE OF DEMAND AND

OUTPUT. THUS, UNLESS MORE FULLY SPECIFIED, SO-CALLED
IMPROVEMENT IN THE TERMS OF TRADE IS AN INAPPROPRIATE
GOAL.

I HOPE THAT THESE COMMENTS WILL PROVE HELPFUL, AND I
LOOK FORWARD TO THE RESUMPTION OF THE COMMITTEE'S
MEETINGS IN SEPTEMBER.

SINCERELY,

ROBERT HORMATS
DEPUTY ASSISTANT SECRETARY OF STATE
FOR ECONOMIC AND BUSINESS AFFAIRS

END TEXT. VANCE

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 01 STATE 202018

ORIGIN IO-14

INFO OCT-01 EB-08 ISO-00 /023 R

66011

DRAFTED BY: RICHARD A POOLE
APPROVED BY: RICHARD A POOLE
EB/IFD/ODF: ELOLLIS

-----115924 171323Z /44

R 170747Z AUG 78

FM SECSTATE WASHDC

INFO AMEMBASSY KINGSTON 0000

LIMITED OFFICIAL USE STATE 202018

FOLLOWING REPEAT STATE 202018 ACTION ALGIERS, BONN, OTTAWA,

AND TOKYO INFO ALL OECD CAPITALS, GENEVA, AND USUN NEW 694(
YORK DATED AUGUST 9, 1978.

QUOTE: LIMITED OFFICIAL USE STATE 202018

BRUSSELS ALSO FOR USEEC, PARIS ALSO FOR USOECD

E.O. 11652: N/A

TAGS: UN, EGEN

SUBJECT: LETTER TO JAZAIRY REGARDING HIS TEXT ON RESOURCE
TRANSFERS FOR SEPTEMBER RESUMPTION OF MAY COW MEETING

REFS: (A) GENEVA 11316, (B) STATE 198327, (C) GENEVA 11594
(D) BRUSSELS 14859, (E) BONN 13948, (F) BONN 14052,
(G) OTTAWA 3755 (NOTAL), (H) USUN 3138 (NOTAL)

1. FOR ALGIERS: PLEASE PASS LETTER IN PARAGRAPH 6 BELOW
ASAP TO COW CHAIRMAN JAZAIRY WHO WAS EXPECTED TO RETURN TO
LIMITED OFFICIAL USE
LIMITED OFFICIAL USE

PAGE 02 STATE 202018

ALGIERS FROM LEAVE ABOUT AUGUST 5. MODIFY TITLE AS
APPROPRIATE. IN PRESENTING LETTER, YOU MIGHT ASK QUESTIONS
POSED PARAS 2 AND 3 OF REF H.

2. FOR BONN, OTTAWA, AND TOKYO: PLEASE SHARE COPY OF
LETTER WITH MATHIAS (FOR EC), JOHNSTON, AND MIYAZAKI
RESPECTIVELY. DEPARTMENT WOULD STILL BE INTERESTED IN
LEARNING REACTIONS OF CANADIANS AND JAPANESE GOVERNMENTS.

3. FOR BERN: COPY OF LETTER WAS GIVEN AUGUST 9 TO
SWISS EMBOFF WHO SAID GOS HAD NOT YET PREPARED REPLY TO
JAZAIRY BUT MAY DO SO.

4. FOR USUN AND GENEVA: DEPARTMENT DOES NOT RPT NOT
WISH TEXT OF LETTER TO JAZAIRY TO BE GIVEN TO UN SECRE-
TARIAT.

5. FOR ALL OTHER ADDRESSEES: YOU MAY DRAW ON CONTENT OF
LETTER TO JAZAIRY IN DISCUSSIONS WITH OECD MEMBER GOVERN-
MENTS, BUT PLEASE DO NOT RPT NOT FURNISH TEXT.

6. TEXT BEGINS:

THE HONORABLE
IDRISS JAZAIRY,
ASSISTANT SECRETARY GENERAL FOR
INTERNATIONAL COOPERATION,
MINISTRY OF FOREIGN AFFAIRS.

DEAR MR. CHAIRMAN:

WE VERY MUCH APPRECIATE THE INITIATIVE YOU TOOK AT THE
INFORMAL MEETING OF THE COMMITTEE OF THE WHOLE IN GENEVA ON
LIMITED OFFICIAL USE
LIMITED OFFICIAL USE

PAGE 03 STATE 202018

JULY 21 TO HELP THE COMMITTEE FIND AN ACCEPTABLE CONCLUSION
FOR ITS MAY SESSION AND IN PARTICULAR FOR ITS DISCUSSION OF
THE AGENDA ITEM ON THE TRANSFER OF RESOURCES. I HAVE READ
WITH GREAT INTEREST THE TEXT ON THE TRANSFER OF RESOURCES
WHICH YOU CIRCULATED AT THAT MEETING. WE AGREE THAT YOUR
TEXT PROVIDES AN ACCEPTABLE BASIS FOR PROCEEDING WITH THE
SEPTEMBER MEETINGS. IF SUFFICIENT AGREEMENT CAN BE REACHED,
WE HOPE THAT THIS CAN BECOME A COMMITTEE DOCUMENT.

I AM QUITE AWARE THAT THE TASK OF REVISING THE TEXT
WILL BE DIFFICULT. MANY DELEGATIONS WILL DOUBTLESS HAVE
CHANGES TO PROPOSE, AND EACH SUGGESTION COULD LEAD TO
PROLONGED DEBATE. IT WOULD, THEREFORE, BE DESIRABLE THAT
THE FINAL VERSION OF A COMMITTEE DOCUMENT NOTE THE MAJOR
AREAS OF AGREEMENT AS WELL AS THE DIFFERENT POSITIONS HELD
BY VARIOUS COUNTRIES AND GROUPS OF COUNTRIES WHERE
DIFFERENCES EXIST, RATHER THAN ATTEMPT TO REACH AGREEMENT ON
EVERY ISSUE.

WE MAINTAIN THE VIEW THAT IN OUR UPCOMING SESSION THE
COMMITTEE SHOULD AVOID THE NEGOTIATION OF AGREED LANGUAGE
ON ALL ASPECTS OF EACH AGENDA ITEM. IN OUR OPINION,
THE MAY IMPASSE OVER SOME PARTS OF THE TRANSFER OF RESOURCES
ITEMS SERVES TO ILLUSTRATE THE FUTILITY OF SUCH NEGOTIA-
TIONS. WE BELIEVE INSTEAD THAT THE FORMULA OFFERED BY
AMBASSADOR YOUNG IN HIS ADDRESS JULY 11 TO THE UN ECONOMIC
AND SOCIAL COUNCIL IN GENEVA OFFERS A VIABLE ALTERNATIVE
WHICH ENABLES THE COMMITTEE TO REACH CONCLUSIONS

BUT DOES NOT PREJUDGE THE TYPE OF CONCLUSION TO BE REACHED
WITH RESPECT TO INDIVIDUAL TOPICS.

THE FOLLOWING ARE OUR SPECIFIC COMMENTS ON THE TEXT YOU
CIRCULATED JULY 21:

I HAVE NO PROBLEM WITH SEVERAL PARAGRAPHS OF
LIMITED OFFICIAL USE
LIMITED OFFICIAL USE

PAGE 04 STATE 202018

YOUR TEXT WHICH WERE TAKEN UNCHANGED FROM THE
TEXT DRAFTED BY THE CONTACT GROUP ON TRANSFER OF
RESOURCES DURING THE MAY SESSION OR WHICH YOU
REDRAFTED FROM OTHER LANGUAGE WHICH WAS AGREED IN

MAY.

MY MOST GENERAL COMMENT IS THAT THE PAPER SHOULD NOT EMPHASIZE THE NOTION THAT INCREASED TRANSFERS TO THE DEVELOPING COUNTRIES ARE JUSTIFIED BY THEIR CONTRIBUTION TO INCREASED GROWTH OF THE GLOBAL ECONOMY AND TO RECOVERY IN THE INDUSTRIALIZED COUNTRIES. PARAGRAPH 13 ASSERTS THAT THE COMMITTEE CONCLUDED THAT "MASSIVE TRANSFERS" WOULD HAVE SUCH EFFECTS. IN FACT, THIS WAS NOT THOROUGHLY DISCUSSED BY THE COMMITTEE IN MAY, AND THIS CONCLUSION WAS DRAWN ONLY BY CERTAIN DELEGATIONS. WE QUESTION THE DESIRABILITY OF LINKING AID TO CYCLICAL FACTORS LEST THE REVERSE ARGUMENT BE USED AGAINST AID IN TIMES OF STRONG GLOBAL GROWTH. ALSO, WE HAVE A NUMBER OF QUESTIONS REGARDING THE MAGNITUDE OF THE IMPACT, BUDGETING IMPLICATIONS, AND ANTI-INFLATIONARY BENEFIT. PARAGRAPH 6 ALSO APPEARS TO GO BEYOND WHAT THE COMMITTEE CONCLUDED BY ASSERTING THAT INCREASED TRANSFERS WOULD BE INDISPENSABLE TO ANY INTERNATIONAL ACTION TO OVERCOME "THE GRAVE INTERNATIONAL ECONOMIC SITUATION NOW PREVAILING."

THE FIRST SENTENCE OF PARAGRAPH 6 APPEARS TO RESTRICT THE REASONS FOR THE TRANSFER OF RESOURCES TO OBJECTIVES AND PRIORITIES ARTICULATED BY THE GOVERNMENTS OF DEVELOPING COUNTRIES, NEGLECTING, FOR EXAMPLE, THE RELATIVE NEEDS OF THE DEVELOPING LIMITED OFFICIAL USE LIMITED OFFICIAL USE

PAGE 05 STATE 202018

COUNTRIES AND THE EFFECTIVENESS OF THEIR USE OF EXTERNAL RESOURCES. USING THE PHRASE "TAKING INTO ACCOUNT" IN LIEU OF "ON THE BASIS OF" WOULD SOLVE THIS PROBLEM.

ALSO IN PARAGRAPH 6, THE REASONS GIVEN FOR THE INCREASED INDEBTEDNESS OF MANY DEVELOPING COUNTRIES (IMPORTED INFLATION, THE ADJUSTMENT PROCESS, AND AN ALLEGED LACK OF APPROPRIATE EXTERNAL FINANCING) SEEM SOMEWHAT INCOMPLETE AND INACCURATE. IT WOULD BE PREFERABLE TO TREAT

INFLATION AND INDEBTEDNESS SEPARATELY, TO ACKNOWLEDGE THE ROLE OF OTHER FACTORS SUCH AS THE INCREASED COST OF ENERGY, AND TO RECOGNIZE THAT ACTUAL CIRCUMSTANCES OF INDIVIDUAL DEVELOPING COUNTRIES VARY WIDELY.

IN PARAGRAPH 7, THE TEXT IMPLIES A GREATER DEGREE OF AGREEMENT AT THE MAY SESSION WITH RESPECT TO "SPECIAL CATEGORIES OF DEVELOPING COUNTRIES" THAN WAS REACHED. I

QUESTION THE APPROPRIATENESS AS WELL AS THE NECESSITY FOR MAINTAINING SPECIAL CATEGORIES FOR LAND-LOCKED AND ISLAND DEVELOPING COUNTRIES AND FOR „MOST SERIOUSLY AFFECTED“ DEVELOPING COUNTRIES.

DURING THE MAY SESSION, THE UNITED STATES DID NOT CONCUR IN THE JUDGMENT (PARAGRAPH 7 OF THE TEXT) THAT MORE EXTENSIVE RESORT SHOULD BE MADE TO PROGRAM AND LOCAL-COST FINANCING, NOR DID WE AGREE THAT BUDGETARY PROCEDURES IN DONOR COUNTRIES (PARAGRAPH 8 OF THE TEXT) WOULD NECESSARILY HAVE TO BE RECONCILED (I.E. CHANGED) IN ORDER TO ACHIEVE THE ADVANTAGES OF MULTIYEAR FINANCING FOR THE UNITED NATIONS DEVELOPMENT FUND AND OTHER UN FUNDS AND PROGRAMS. WHAT WE SAID IN MAY WAS THAT A CAREFULLY WORKED OUT SYSTEM OF MULTIYEAR FUNDING WHICH PRESERVES THE VOLUNTARY NATURE OF UNDP SUPPORT IS POSSIBLE AND DESIRABLE
LIMITED OFFICIAL USE
LIMITED OFFICIAL USE

PAGE 06 STATE 202018

AND THAT WE WILL PARTICIPATE FULLY IN FUTURE EXAMINATIONS OF VARIOUS MULTIYEAR FINANCING MECHANISMS.

IN PARAGRAPHS 7 AND 8, IF THE STATEMENTS OF INDIVIDUAL COUNTRIES OR GROUPS OF COUNTRIES ARE TO BE SINGLED OUT, WE WOULD LIKE THE TEXT ALSO TO REFLECT WHAT THE UNITED STATES SAID AT THE MAY SESSION ABOUT THE INTENTION OF THE U.S. GOVERNMENT WITH RESPECT TO OFFICIAL DEVELOPMENT ASSISTANCE, RETROACTIVE TERMS ADJUSTMENT, AND THE RESOURCES OF THE MULTILATERAL DEVELOPMENT BANKS AND FUNDS. THESE PARAGRAPHS OUGHT TO REFER TO THE COMMITMENTS OF THE OPEC AND SOCIALIST STATES AS WELL AS THOSE OF DAC MEMBERS.

PARAGRAPH 10 IS UNCLEAR AS TO WHICH INTERNATIONAL FINANCIAL INSTITUTIONS ITS REMARKS APPLY. I CANNOT AGREE THAT THE FUNDS OF THE INTERNATIONAL MONETARY FUND ARE PRESENTLY INADEQUATE "TO COVER TEMPORARY PAYMENTS DEFICITS ON CURRENT ACCOUNTS." MOREOVER, THE BASIC TENET OF THE IMF IS NON-DISCRIMINATION SO THAT THE COMMITTEE COULD NOT HAVE TAKEN A CONSIDERED VIEW OF INCREASES OF BALANCE OF PAYMENTS FINANCING AVAILABLE TO DEVELOPING COUNTRIES.

.

I DO NOT RECALL THAT THE COMMITTEE AT ITS MAY SESSION AGREED THAT EXISTING INTERNATIONAL MONETARY AND FINANCIAL MECHANISMS ARE INADEQUATELY RESPONSIVE TO THE NEEDS OF THE GLOBAL ECONOMY OR THAT THE DEFICITS OF DEVELOPING COUNTRIES ARE, AS THE TEXT OF PARAGRAPH 11 IMPLIES, GENERALLY DUE TO STRUCTURAL PROBLEMS WHICH EXISTING MECHANISMS FAIL TO TAKE FULLY INTO ACCOUNT. THIS IS NOT A VIEW WHICH THE UNITED STATES SHARES.

LIMITED OFFICIAL USE
LIMITED OFFICIAL USE

PAGE 07 STATE 202018

THE COMMITTEE AND ITS CONTACT GROUPS NEVER SERIOUSLY DISCUSSED WHAT IS COVERED IN PARAGRAPHS 13 AND 14 OF THE TEXT, ALTHOUGH BOTH SUBJECTS WERE RAISED BY INDIVIDUAL DELEGATIONS. IT COULD BE MISLEADING, THEREFORE, TO ASCRIBE ANY CONCLUSIONS TO THE COMMITTEE.

I DO NOT RECALL THAT THE COMMITTEE CONCLUDED, FOR EXAMPLE, THAT "MASSIVE TRANSFERS" ARE "NECESSARY TO ENHANCE THE PRODUCTIVE CAPACITY OF DEVELOPING COUNTRIES." PARAGRAPH 13 WOULD THEREFORE BE MADE MORE REFLECTIVE OF THE MINIMUM DISCUSSION WHICH TOOK PLACE IF SIMPLY CONFINED TO A REQUEST FOR FURTHER STUDY.

I ALSO DO NOT BELIEVE THAT THE COMMITTEE ITSELF TOOK NOTE OF THE ABSENCE OF ANY INTEGRATED APPROACH AT THE LEVEL OF THE UNITED NATIONS TO THE INTERRELATED ASPECTS OF THE TRANSFER OF REAL RESOURCES, AND THE COMMITTEE CERTAINLY DID NOT AGREE TO REQUEST THE SECRETARY-GENERAL TO REPORT ON THE POSSIBILITY OF EVOLVING A COMPREHENSIVE NEW SYSTEM OF INTERNATIONAL FINANCIAL COOPERATION. I SUGGEST, THEREFORE, THAT PARAGRAPH 14 BE DROPPED.

PARAGRAPH 15 ON TRADE IS ALMOST IDENTICAL TO THE DRAFT PREPARED BY A CONTACT GROUP DURING THE MAY SESSION. WE NOTE, HOWEVER, THAT THE WORDS "THEIR EFFORTS SHOULD AIM..." HAVE BEEN INSERTED. WHAT IS THE ANTECEDENT OF THE WORD "THEIR"? THE ORIGINAL TEXT IMPLIED THAT ALL COUNTRIES SHOULD MAKE SUCH EFFORTS. ON REFLECTION, MOREOVER, THE REFERENCE TO IMPROVING THE TERMS OF TRADE OF THE DEVELOPING COUNTRIES SEEMS INAPPROPRIATE, BECAUSE DECLINES IN THE TERMS OF TRADE CAN REFLECT INCREASES

LIMITED OFFICIAL USE
LIMITED OFFICIAL USE

PAGE 08 STATE 202018

IN WELFARE OR INCREASES IN COMPETITIVENESS, AS WELL AS DESIRABLE CHANGES IN THE STRUCTURE OF DEMAND AND

OUTPUT. THUS, UNLESS MORE FULLY SPECIFIED, SO-CALLED IMPROVEMENT IN THE TERMS OF TRADE IS AN INAPPROPRIATE GOAL.

I HOPE THAT THESE COMMENTS WILL PROVE HELPFUL, AND I LOOK FORWARD TO THE RESUMPTION OF THE COMMITTEE'S

MEETINGS IN SEPTEMBER.

SINCERELY,

ROBERT HORMATS
DEPUTY ASSISTANT SECRETARY OF STATE
FOR ECONOMIC AND BUSINESS AFFAIRS

END TEXT.
VANCE UNQUOTE
VANCE UNQUOTE VANCE

ORIGINAL DIST: EUR,EA,NEA,IO,EB/AID,TRSE,L,OMB,STR,INTE,SS,NSCE,SSO,
INRE.

LIMITED OFFICIAL USE

<< END OF DOCUMENT >>

Message Attributes

Automatic Decaptioning: X
Capture Date: 26 sep 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TEXT, TEXTS, MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 09 aug 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE202018
Document Source: ADS
Document Unique ID: 00
Drafter: EB/IFD/ODF:EWLOLLIS:SMCP
Enclosure: n/a
Executive Order: N/A
Errors: n/a
Expiration:
Film Number: D780326-0987
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t197808122/baaaezmm.tel
Line Count: 612
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Message ID: f9d1f759-c288-dd11-92da-001cc4696bcc
Office: ORIGIN EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 12
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: (A) GENEVA 11316, (B) STATE 198327, (C) GENEVA 11594 LIMITED OFFICIAL USE LIMITED OFFICIAL USE
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1588070
Secure: OPEN
Status: NATIVE
Subject: LETTER TO JAZAIRY REGARDING HIS TEXT ON RESOURCE TRANSFERS FOR SEPTEMBER RESUMPTION OF MAY COW MEETING
TAGS: EGEN, UN
To: ALGIERS BONN MULTIPLE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/f9d1f759-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014